

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
DECEMBER 31, 2014 AND 2013

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	1
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	5
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	7
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
PATIENT SERVICE REVENUE	19
OPERATING EXPENSES	20
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY	21

ATTICA HOSPITAL DISTRICT No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of Attica Hospital District No. 1 provides a narrative overview of the District's financial activities for the years ended December 31, 2014 and 2013. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The District reported an operating loss of \$470,342 during 2014, as compared to operating losses of \$489,343 in 2013 and \$189,750 in 2012.

The District had nonoperating revenues which consisted primarily of District tax proceeds and rental income of \$464,166 in 2014, \$333,514 in 2013, and \$351,232 in 2012.

After the inclusion of nonoperating revenues and expenses and capital grants and contributions, the District's net position increased by \$25,531 or 0.8 percent in 2014, decreased by \$119,264 or 3.5 percent in 2013, and increased by \$376,597 or 12.6 percent in 2012.

Using these financial statements

The District's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District and resources restricted for specific purposes by contributors.

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. For purposes of these two statements, revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and its changes. The District's net position - the difference between assets and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the District's physical plant and measures of the quality of services it provides to the community, as well as local economic factors, to assess the overall health of the District.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

ATTICA HOSPITAL DISTRICT No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Assets, liabilities, and net assets

The District's statements of net position as of the end of each of the last three years are summarized as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current assets	\$ 2,090,076	\$ 2,030,222	\$ 1,897,411
Assets limited as to use	172,795	164,140	156,842
Capital assets, net	<u>1,558,901</u>	<u>1,647,712</u>	<u>1,792,212</u>
Total assets	<u>\$ 3,821,772</u>	<u>\$ 3,842,074</u>	<u>\$ 3,846,465</u>
Liabilities			
Current liabilities	<u>\$ 160,250</u>	<u>\$ 164,649</u>	<u>\$ 168,145</u>
Total liabilities	<u>\$ 160,250</u>	<u>\$ 164,649</u>	<u>\$ 168,145</u>
Deferred inflows of resources	<u>\$ 389,403</u>	<u>\$ 430,837</u>	<u>\$ 312,468</u>
Net position			
Invested in capital assets - net of related debt	\$ 1,558,901	\$ 1,647,712	\$ 1,792,212
Restricted expendable net position	147,795	139,140	131,842
Unrestricted	<u>1,565,423</u>	<u>1,459,736</u>	<u>1,441,798</u>
Total net position	<u>\$ 3,272,119</u>	<u>\$ 3,246,588</u>	<u>\$ 3,365,852</u>

In aggregate, the District's unrestricted cash and invested cash totaled \$1,464,865 and \$1,405,343 as of December 31, 2014 and 2013, respectively. These represent 171 days and 161 days, respectively, of average cash expenses during each of the years then ended.

Capital asset acquisitions were funded from operating cash flow and capital grants during 2014 and 2013. Net capital assets (after depreciation) decreased by \$88,811 during the 2014 fiscal year because depreciation expense exceeded capital asset acquisitions during that year. Net capital assets decreased by \$144,500 during the 2013 fiscal year because depreciation expense exceeded capital asset acquisitions during that year.

The District's net patient accounts receivable was 7 percent of current assets as of December 31, 2014, and 5 percent as of December 31, 2013. The average number of days of net patient revenue in accounts receivable was 20 days as of December 31, 2014, and 14 days as of December 31, 2013.

The District's net position increased by \$25,531 or 0.8 percent in 2014 and increased by \$119,264 or 3.5 percent in 2013.

ATTICA HOSPITAL DISTRICT No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating results and changes in net assets

The District's operating results and changes in net position for each of the last three years are summarized as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 2,831,407	\$ 2,869,571	\$ 2,922,840
Operating expenses	<u>(3,301,749)</u>	<u>(3,358,914)</u>	<u>(3,112,590)</u>
Operating loss	(470,342)	(489,343)	(189,750)
Nonoperating income	464,166	333,514	351,232
Capital contributions and grants	<u>31,707</u>	<u>36,565</u>	<u>215,115</u>
Increase (decrease) in net position	<u>\$ 25,531</u>	<u>\$ (119,264)</u>	<u>\$ 376,597</u>

The most significant components of the overall change in the District's increase in net position in 2014 were a decrease of supplies and other expenses of \$151,228 and an increase of \$129,290 in tax proceeds. These offset increases in salaries expense of \$64,821 and employee benefits expense of \$37,225 in 2014.

Gross and net patient service revenue for the past three years are analyzed as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Daily patient care - Geriatric	\$ 2,355,071	\$ 2,309,065	\$ 2,271,663
Daily patient care - Alzheimer's	317,360	344,456	393,921
Independent living units	<u>8,347</u>	<u>3,774</u>	<u></u>
Gross patient service revenue	2,680,778	2,657,295	2,665,584
Contractual adjustments	124,620	172,035	222,689
Provision for bad debt	<u>(6,009)</u>	<u></u>	<u></u>
Net patient service revenue	<u>\$ 2,799,389</u>	<u>\$ 2,829,330</u>	<u>\$ 2,888,273</u>

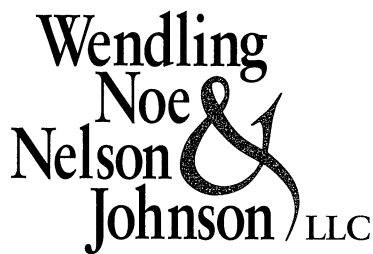
Employee salaries and wages, including benefits, increased by \$102,046 or 4.8 percent during 2014; and increased by \$59,830 or 2.9 percent during 2013. These changes are functions of changes in the number of employees, pay rates, and benefits.

Supplies and other expenses decreased by \$151,228 or 14.5 percent during 2014, and increased during 2013 by \$156,412 or 17.7 percent. The decrease in 2014 was attributable primarily to a decrease in contract nurse aide services, which correlates to the increase in salaries noted in the preceding paragraph.

ATTICA HOSPITAL DISTRICT No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Budgetary information

Actual expenditures for the year ended December 31, 2014, on the modified accrual basis of accounting and encumbrances were \$3,132,960 as compared to the legally adopted budgeted expenditures of \$3,661,258. Actual expenditures for the year ended December 31, 2013, on the modified accrual basis of accounting and encumbrances were \$3,176,944 as compared to the legally adopted budgeted expenditures of \$3,416,247.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Attica Hospital District No. 1
of Harper County, Kansas

We have audited the accompanying financial statements of the business-type activity of Attica Hospital District No. 1 of Harper County, Kansas (Hospital District), as of and for the years ended December 31, 2014 and 2013, which collectively comprise the Hospital District's financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activity of Attica Hospital District No. 1 of Harper County, Kansas, as of December 31, 2014 and 2013, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 4 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Attica Hospital District's No. 1 of Harper County, Kansas, financial statements as a whole. The supplementary information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Topeka, Kansas
April 13, 2015

FINANCIAL STATEMENTS

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
STATEMENTS OF NET POSITION
December 31,

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,464,865	\$ 1,405,343
Patient accounts receivable, net of allowance for doubtful accounts of \$10,000 in 2014 and \$3,991 in 2013	151,017	107,144
Property taxes receivable	389,403	430,837
Inventories	34,450	34,450
Prepaid expenses	<u>50,341</u>	<u>52,448</u>
Total current assets	<u>2,090,076</u>	<u>2,030,222</u>
ASSETS LIMITED AS TO USE		
By donor for capital acquisitions	110,598	110,598
By contributors and grantors for capital acquisitions	37,197	28,542
By escrow agreement for unemployment benefits	<u>25,000</u>	<u>25,000</u>
	<u>172,795</u>	<u>164,140</u>
CAPITAL ASSETS, NET	<u>1,558,901</u>	<u>1,647,712</u>
Total assets	<u>\$ 3,821,772</u>	<u>\$ 3,842,074</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 36,389	\$ 52,541
Accrued salaries and related taxes	70,033	63,281
Accrued compensated time off	45,646	42,713
Other unearned revenue	3,551	2,551
Medicaid tax payable	<u>4,631</u>	<u>3,563</u>
Total current liabilities	<u>160,250</u>	<u>164,649</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	<u>389,403</u>	<u>430,837</u>
Total deferred inflows of resources	<u>389,403</u>	<u>430,837</u>
NET POSITION		
Invested in capital assets - net of related debt	1,558,901	1,647,712
Restricted expendable net position	147,795	139,140
Unrestricted	<u>1,565,423</u>	<u>1,459,736</u>
Total net position	<u>3,272,119</u>	<u>3,246,588</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,821,772</u>	<u>\$ 3,842,074</u>

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year ended December 31,

	<u>2014</u>	<u>2013</u>
Operating revenues		
Net patient service revenue	\$ 2,799,389	\$ 2,829,330
Other revenue	<u>32,018</u>	<u>40,241</u>
Total operating revenues	<u>2,831,407</u>	<u>2,869,571</u>
Operating expenses		
Salaries and wages	1,742,438	1,677,617
Employee benefits	499,593	462,368
Supplies and other	890,183	1,041,411
Depreciation	<u>169,535</u>	<u>177,518</u>
Total operating expenses	<u>3,301,749</u>	<u>3,358,914</u>
Operating loss	<u>(470,342)</u>	<u>(489,343)</u>
Nonoperating revenues (expenses)		
District tax proceeds	440,602	311,312
Interest income	2,359	1,893
Rental income, net of expenses	12,916	12,167
Gas well income	<u>8,289</u>	<u>8,142</u>
Total nonoperating revenues net of expenses	<u>464,166</u>	<u>333,514</u>
Excess of expenses over revenues before capital grants and contributions	(6,176)	(155,829)
Capital grants and contributions	<u>31,707</u>	<u>36,565</u>
Increase (decrease) in net position	25,531	(119,264)
Net position beginning of year	<u>3,246,588</u>	<u>3,365,852</u>
Net position end of year	<u>\$ 3,272,119</u>	<u>\$ 3,246,588</u>

The accompanying notes are an integral part of these statements.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 2,755,516	\$ 2,832,598
Payments to or on behalf of employees	(2,232,346)	(2,134,833)
Payments for supplies and services	(902,160)	(1,041,540)
Other receipts and payments	<u>32,018</u>	<u>40,241</u>
Net cash used by operating activities	<u>(346,972)</u>	<u>(303,534)</u>
Cash flows from noncapital financing activities		
District tax proceeds	<u>440,602</u>	<u>311,312</u>
Net cash provided by noncapital financing activities	<u>440,602</u>	<u>311,312</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(80,724)	(33,018)
Capital grants and contributions	<u>31,707</u>	<u>36,565</u>
Net cash provided (used) by capital and related financing activities	<u>(49,017)</u>	<u>3,547</u>
Cash flows from investing activities		
Increase in assets limited as to use	(8,655)	(7,298)
Interest received	2,359	1,893
Gas well income	8,289	8,142
Rental income, net	<u>12,916</u>	<u>12,167</u>
Net cash provided by investing activities	<u>14,909</u>	<u>14,904</u>
Increase in cash and cash equivalents	59,522	26,229
Cash and cash equivalents at beginning of year	<u>1,405,343</u>	<u>1,379,114</u>
Cash and cash equivalents at end of year	<u>\$ 1,464,865</u>	<u>\$ 1,405,343</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (470,342)	\$ (489,343)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	169,535	177,518
Provision for bad debts	6,009	
Changes in		
Patient accounts receivable	(49,882)	3,268
Inventories		4,309
Prepaid expenses	2,107	4,210
Accounts payable and accrued expenses	(5,399)	(6,047)
Other unearned revenue	<u>1,000</u>	<u>2,551</u>
Net cash used by operating activities	<u>\$ (346,972)</u>	<u>\$ (303,534)</u>

The accompanying notes are an integral part of these statements.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

1. Reporting entity

Attica Hospital District No. 1 of Harper County, Kansas, (hereinafter referred to as the District) was created under K.S.A. 80-2178, et seq., as a Kansas political body and entity, for the purpose of owning and operating a health care facility in Attica, Kansas, for the benefit of the community. Until July 1, 1991, the District operated a 12-bed acute care hospital, a 60-bed long-term care unit, and a clinic. On July 1, 1991, inpatient acute care services were discontinued. The District continues to operate a 57-bed long-term care unit which is licensed as a free-standing nursing facility which includes a 7-bed Alzheimer's unit which opened on December 13, 2010. In 2013, the District opened a 5-unit independent living complex in Attica, Kansas. The District is governed by an elected five-member Board of Trustees of Attica Hospital District No. 1, Harper County, Kansas.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Basis of accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

4. Allowance for uncollectible accounts

The District provides for accounts receivable that could become uncollectible in the future by establishing an allowance, when necessary, to reduce the carrying value of such receivables to their estimated net realizable value. The District estimates this allowance based on a review of its accounts receivable and its historical collection experience for each type of payor.

5. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

6. Investment income

Investment income on proceeds of borrowing, to the extent not capitalized, is reported as other revenue. Investment income from all other investments is reported as nonoperating revenue.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

7. Capital assets

Capital assets are stated at cost. Depreciation of capital assets is provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with useful lives established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

8. Income taxes

The District is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

9. Operating revenues and expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Nonexchange revenues, including noncapital grants, district tax proceeds, and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

10. Grants and contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

11. Net position

Net position of the District is classified in three components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted expendable net position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE A - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

12. Net patient service revenue

Net patient service revenue is reported at established charges with adjustments for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

13. Charity care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

14. Cash and cash equivalents

Cash and cash equivalents include all cash and invested cash other than amounts included in assets limited as to use.

NOTE B - ASSETS LIMITED AS TO USE

Assets limited as to use consist of assets whose use by the District has been limited by grant guidelines or donors to a specific time period or purpose, assets restricted by the donor for capital acquisitions, and assets limited by an escrow agreement for self-funded unemployment benefits. Assets whose use is limited are invested as follows:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$ 25,000	\$ 25,000
Cash	<u>147,795</u>	<u>139,140</u>
Total assets limited as to use	<u>\$ 172,795</u>	<u>\$ 164,140</u>

NOTE C - CHARITY CARE

The amounts of charges foregone for services and supplies furnished by the District under its charity care policy and the related cost during the years ended December 31, 2014 and 2013, were not significant.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE D - REIMBURSEMENT PROGRAMS

The District has an agreement with a third-party payor that provides for payments at amounts different from its established charge rates. A summary of the payment arrangements with the third-party payor follows:

Medicaid - Services rendered to Medicaid patients in the long-term care unit are generally reimbursed at prospectively determined rates based upon costs of previous years adjusted for inflation, statewide limits, and other factors. Revenues from Medicaid accounted for approximately 55 percent and 62 percent of the District's net patient service revenue for the years ended December 31, 2014 and 2013, respectively.

Management estimates that there are no amounts due to or from Medicaid at either December 31, 2014 and 2013, related to potential settlements of cost reports.

NOTE E - PROPERTY TAXES

The District's property tax is levied and a lien attaches each November 1 on the assessed value as of the prior January 1 for all property located in the District. Assessed values are established by the County Assessor. The assessed values for property located in the District as of January 1, 2014 and 2013, on which the 2014 and 2013 levies were based were \$23,685,973 and \$26,886,325, respectively.

Property taxes are due in total by December 31 following the levy date, or may be paid in equal installments if paid by December 20 (first installment) and the following May 10 (second installment). The taxes are collected by the County Treasurer and subsequently remitted to the District.

Collection of current year property tax by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing State statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the District and, therefore, are recorded as a deferred inflow of resources in the year levied and recognized as revenue when they become available to pay liabilities.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE F - CAPITAL ASSETS

Capital asset additions, retirements, and balances are as follows:

	2014			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 51,676	\$ -	\$ -	\$ 51,676
Land improvements	33,696			33,696
Buildings	3,642,039			3,642,039
Fixed equipment	98,944			98,944
Major movable equipment	<u>898,672</u>	<u>80,724</u>		<u>979,396</u>
Totals at historical cost	<u>4,725,027</u>	<u>80,724</u>	<u>-</u>	<u>4,805,751</u>
Less accumulated depreciation and amortization				
Land improvements	28,569	1,244		29,813
Buildings	2,303,681	119,621		2,423,302
Fixed equipment	32,259	5,001		37,260
Major movable equipment	<u>712,806</u>	<u>43,669</u>		<u>756,475</u>
	<u>3,077,315</u>	<u>169,535</u>	<u>-</u>	<u>3,246,850</u>
Capital assets, net	<u>\$1,647,712</u>	<u>\$ (88,811)</u>	<u>\$ -</u>	<u>\$1,558,901</u>

	2013			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 51,676	\$ -	\$ -	\$ 51,676
Land improvements	33,696			33,696
Buildings	3,642,039			3,642,039
Fixed equipment	98,944			98,944
Major movable equipment	<u>865,654</u>	<u>33,018</u>		<u>898,672</u>
Totals at historical cost	<u>4,692,009</u>	<u>33,018</u>	<u>-</u>	<u>4,725,027</u>
Less accumulated depreciation and amortization				
Land improvements	27,324	1,245		28,569
Buildings	2,179,554	124,127		2,303,681
Fixed equipment	27,186	5,073		32,259
Major movable equipment	<u>665,733</u>	<u>47,073</u>		<u>712,806</u>
	<u>2,899,797</u>	<u>177,518</u>	<u>-</u>	<u>3,077,315</u>
Capital assets, net	<u>\$1,792,212</u>	<u>\$ (144,500)</u>	<u>\$ -</u>	<u>\$1,647,712</u>

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE G - DEPOSITS WITH FINANCIAL INSTITUTIONS

Kansas statutes authorize the District, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank.

The carrying amount of the District's deposits with financial institutions was \$1,637,359 and the bank balance was \$1,671,198 at December 31, 2014. The bank balance is categorized as follows at December 31, 2014:

Amount insured by the F.D.I.C.	\$ 250,000
Amount insured by the N.C.U.S.I.F. \$250,000 - limited to bank balance	1,651
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the District's name)	<u>1,419,547</u>
	<u>\$ 1,671,198</u>

The District's bank deposits are included in the financial statements under the following categories:

Cash and cash equivalents	\$ 1,464,564
Assets limited as to use	<u>172,795</u>
Total bank deposits	<u>\$ 1,637,359</u>

NOTE H - DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Substantially all employees of the District are eligible to participate in KPERS following the completion of one year of service. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE H - DEFINED BENEFIT PENSION PLAN - Continued

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary for employees hired before July 1, 2009, and 6 percent of covered salary for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rates established by Statute for calendar years 2014 and 2013 were 8.84 percent for January 1, 2014 through December 31, 2014, and 8.69 percent for January 1, 2013 through December 31, 2013. The District employer contributions to KPERS for the years ended December 31, 2014 and 2013, were \$130,571 and \$106,036, respectively, equal to the statutory required contributions for each year.

NOTE I - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the District. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget for the years ended December 31, 2014 and 2013.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Actual expenditures for the year ended December 31, 2014, on the modified accrual basis of accounting and encumbrances were \$3,132,960 as compared to the legally adopted budgeted expenditures of \$3,661,258. Actual expenditures for the year ended December 31, 2013, on the modified accrual basis of accounting and encumbrances were \$3,176,944 as compared to the legally adopted budgeted expenditures of \$3,416,247.

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2014 and 2013

NOTE I - BUDGETARY INFORMATION - Continued

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

A legal operating budget is not required for capital projects funds. Spending of funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE J - RISK MANAGEMENT

The District is insured with respect to professional and general liability risks under an insurance policy issued by commercial insurers on a claims-made basis with a limit of \$1,000,000 per occurrence up to an annual aggregate of \$3,000,000 for all claims made during the policy year. Coverage is currently in effect through September 1, 2015. The District intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time. Management believes that if any claims are asserted for incidents occurring through December 31, 2014, such claims would be settled within the limits of insurance coverage.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE K - SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 13, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ATTICA HOSPITAL DISTRICT NO. 1
 OF HARPER COUNTY, KANSAS
 PATIENT SERVICE REVENUE
 Year ended December 31,

	<u>2014</u>	<u>2013</u>
Daily patient care - Geriatric	\$ 2,355,071	\$ 2,309,065
Daily patient care - Alzheimer's	317,360	344,456
Independent living units	<u>8,347</u>	<u>3,774</u>
Gross patient service revenue	2,680,778	2,657,295
Contractual adjustments	124,620	172,035
Provision for bad debt	<u>(6,009)</u>	<u></u>
Net patient service revenue	<u><u>\$ 2,799,389</u></u>	<u><u>\$ 2,829,330</u></u>

ATTICA HOSPITAL DISTRICT NO. 1
 OF HARPER COUNTY, KANSAS
 OPERATING EXPENSES
 Year ended December 31,

	2014			2013		
	Salary <u>expense</u>	Supplies and other <u>expenses</u>	Total <u>expenses</u>	Salary <u>expense</u>	Supplies and other <u>expenses</u>	Total <u>expenses</u>
Geriatric nursing services	\$ 1,140,187	\$ 333,122	\$ 1,473,309	\$ 1,047,945	\$ 519,239	\$ 1,567,184
Alzheimer's nursing services	<u>95,621</u>	<u>35,033</u>	<u>130,654</u>	<u>107,997</u>	<u>2,569</u>	<u>110,566</u>
	<u>1,235,808</u>	<u>368,155</u>	<u>1,603,963</u>	<u>1,155,942</u>	<u>521,808</u>	<u>1,677,750</u>
General services						
Operation of plant	64,279	158,945	223,224	59,363	161,659	221,022
Housekeeping	85,806	21,234	107,040	88,763	24,400	113,163
Laundry	21,821	36,717	58,538	21,479	30,868	52,347
Dietary	185,789	189,398	375,187	200,582	174,679	375,261
Administration	148,935	97,210	246,145	151,488	111,935	263,423
Medicaid tax		18,524	18,524		16,062	16,062
Employee health and welfare		499,593	499,593		462,368	462,368
	<u>506,630</u>	<u>1,021,621</u>	<u>1,528,251</u>	<u>521,675</u>	<u>981,971</u>	<u>1,503,646</u>
	<u>\$ 1,742,438</u>	<u>\$ 1,389,776</u>	<u>3,132,214</u>	<u>\$ 1,677,617</u>	<u>\$ 1,503,779</u>	<u>3,181,396</u>
Depreciation			<u>169,535</u>			<u>177,518</u>
			<u>\$ 3,301,749</u>			<u>\$ 3,358,914</u>

ATTICA HOSPITAL DISTRICT NO. 1
OF HARPER COUNTY, KANSAS
BALANCE IN DEPOSITORY COMPARED WITH DEPOSITORY SECURITY
Year ended December 31, 2014

	Medical Community <u>Credit Union</u>	Citizens Community <u>Bank</u>	<u>Total</u>
Bank balance, December 31, 2014			
Debit card	\$ 1,651	\$ -	\$ 1,651
General checking		101,260	101,260
Savings		124,638	124,638
Money market		1,418,649	1,418,649
Certificate of deposit		<u>25,000</u>	<u>25,000</u>
Total deposits	1,651	1,669,547	1,671,198
Less N.C.U.S.I.F. coverage of \$250,000 - limited to bank balance	1,651		1,651
Less F.D.I.C. coverage		<u>250,000</u>	<u>250,000</u>
Balance subject to pledging of securities	<u>\$ -</u>	1,419,547	1,419,547
Market value of securities pledged at December 31, 2014		<u>1,942,655</u>	<u>1,942,655</u>
Market value of securities pledged in excess of required depository securities		<u>\$ 523,108</u>	<u>\$ 523,108</u>

At December 31, 2014, deposits with a financial institution were adequately secured under K.S.A. 9-1402, which requires the market value of certain types of securities pledged to be equal to total deposits in excess of F.D.I.C. coverage.